

Message Text

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ORIGIN STR-07

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FM SECSTATE WASHDC

TO AMEMBASSY BANGKOK PRIORITY

AMEMBASSY JAKARTA PRIORITY

AMEMBASSY KUALA LUMPUR PRIORITY

AMEMBASSY MANILA PRIORITY

AMEMBASSY SINGAPORE PRIORITY

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E.O. 11652: N/A

TAGS: ETRD, ASEAN, GATT

SUBJECT: ASEAN PREFERENTIAL TRADING ARRANGEMENT - GATT

CONSIDERATION

REF: (A) STATE 10470 (B) SINGAPORE 1370

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1. AS ADDRESSEES AWARE, GATT MEMBERS OF ASEAN NOTIFIED GATT ON AUGUST 19, 1977, OF EXISTENCE OF ASEAN PREFERENTIAL TRADING ARRANGEMENT (PTA). NOTIFICATION WAS NOT MADE UNDER ANY ARTICLE OF THE GATT, BUT PTA PREAMBLE CITES PART IV, AS WELL AS VARIOUS UN RESOLUTIONS INSTITUTING THE NEW INTERNATIONAL ECONOMIC ORDER, ETC.

2. WE BELIEVE THAT THE ASEAN AGREEMENT COULD CONTRIBUTE TO THE ECONOMIC DEVELOPMENT OF ITS GEOGRAPHICALLY COMPACT MEMBERSHIP (IN CONTRAST TO, FOR EXAMPLE, THE INDIA-EGYPT-YUGOSLAVIA TRIPARTITE AGREEMENT), AND FOR BOTH ECONOMIC AND POLITICAL REASONS WE DESIRE TO SEE IT IMPLEMENTED EFFECTIVELY AND RECEIVE FAVORABLE GATT CONSIDERATION WHILE PRESERVING GATT PRINCIPLES, PARTICULARLY MOST-FAVORED-NATION TREATMENT, AS THE NORM OF INTERNATIONAL TRADE.

3. WE THEREFORE BELIEVE THAT ASEAN SHOULD CONSIDER JUSTIFYING PTA IN FUTURE GATT WORKING PARTY UNDER THE PROVISIONS

OF ARTICLE XXIV, WHICH ALLOWS CUSTOMS UNIONS AND FREE TRADE AREAS AS WELL AS INTERIM ARRANGEMENTS LEADING TO EITHER CUSTOMS UNIONS OR FREE TRADE AREAS. WE BELIEVE THAT ASEAN CAN MAKE A GOOD ARGUMENT THAT THE PTA IS IN FACT THE FIRST STEP LEADING TOWARD A FREE TRADE AREA. TO MEET THE REQUIREMENTS OF ARTICLE XXIV:5 IT WOULD THEN ALSO BE NECESSARY TO SUBMIT A PLAN AND SCHEDULE FOR THE ELIMINATION OF DUTIES AND OTHER RESTRICTIVE REGULATIONS OF COMMERCE (EXCEPT, WHERE NECESSARY, THOSE PERMITTED UNDER ARTICLES XI, XII, XIII, XIV, XV AND XX) ON SUBSTANTIALLY ALL TRADE AMONG ASEAN MEMBERS WITHIN A REASONSBLE TIME. IF ASEAN CAN COMPLY WITH THESE REQUIREMENTS, WE BELIEVE THERE WOULD BE NO PROBLEM IN OBTAINING A WORKING PARTY DECISION THAT

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THE PTA IS AN INTERIM AGREEMENT LEADING TO THE FORMATION OF A FREE TRADE AR?A. (WE WOULD OBJECT, HOWEVER, TO ASEAN'S PLANS TO LIBERALIZE NON-TARIFF MEASURES ON A PREFERENTIAL BASIS DUE TO OUR CONSISTENTLY HELD POSITION THAT SUCH SELECTIVE LIBERALIZATION IS CONTRARY TO ARTICLES XIII AND XVII.)

4. ALTERNATIVE TO JUSTIFICATION UNDER ARTICLE XXIV WOULD BE ARTICLE XXV WAIVER OF OBLIGATIONS UNDER ARTICLE I OR, EVEN LESS DESIRABLY, A QUASI-WAIVER LIKE THOSE GRANTED FOR BANGKOK AND TRIPARTITE AGREEMENTS. SUCH EXCEPTIONS TO GATT RULES MAY WELL ENCOURAGE OTHER GATT CONTRACTING PARTIES TO NEGOTIATE PREFERENTIAL ARRANGEMENTS IN SITUATIONS WHICH MAKE LESS ECONOMIC SENSE THAN ASEAN. WHILE GIVING LITTLE POSITIVE BENEFIT TO THEIR MEMBERS, THESE AGREEMENTS ERODE THE MFN PRINCIPLE AND INCREASE THE COMPLICATIONS AND CONFUSION OF INTERNATIONAL TRADE.

5. ADDRESSEES ARE REQUESTED TO EXPLAIN OUR SUGGESTION TO APPROPRIATE HOST GOVERNMENT OFFICIALS AND REPORT REACTIONS. ASSISTANT STR LANDE WILL FOLLOW UP WITH ASEAN SENIOR TRADE OFFICIALS GROUP NEXT MONTH, AND WE WILL REVIEW QUESTION

WITH REPS OF ASEAN EMBASSIES HERE. VANCE

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